

Message Text

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SUBJ: NEW GOP HOUSING MEASURES

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SUMMARY: IN AN ATTEMPT TO HELP SOLVE DUAL PROBLEMS OF HOUSING SHORTAGE AND SEVERELY DEPRESSED CONSTRUCTION INDUSTRY, THE GOP RECENTLY AUTHORIZED DOLS 50 MILLION FOR A SERIES OF MEASURES IN THE HOUSING SECTOR. PRINCIPAL MEASURES INCLUDE GUARANTEED ACQUISITION OF NEWLY-BUILT UNITS AND TECHNICAL AND FINANCIAL SUPPORT OF CONSTRUCTION FIRMS ENGAGED IN CONSTRUCTION OF LOW-COST HOUSING. A DOLS 2400 PER FAMILY HOUSING SUBSIDY PAYMENT TO PRESENT RESIDENTS OF THE NUMEROUS SHANTYTOWNS ALSO UNDER CONSIDERATION. FINALLY, RENT-FREEZE LAW, WHICH MANY BLAME FOR CONSTRUCTION SLOW-DOWN, MAY BE REVISED. END SUMMARY.

1. IN LATE NOVEMBER THE GOP PROMULGATED DECREE LAW 658/74 PROVIDING UP TO DOLS 50 MILLION TO HOUSING DEVELOPMENT FUND FOR THE PURCHASE OF RESIDENTIAL UNITS WHICH ARE ALREADY PLANNED BY CONSTRUCTION FIRMS AND APPROVED BY GOP BUT NOT BEING BUILT DUE TO LACK OF DEMAND. THIS GUARANTEED ACQUISITION WILL BE LIMITED TO HOUSES OR APARTMENTS WITH MAXIMUM CONSTRUCTION COSTS OF DOLS 120-150 PER SQUARE METER AND MAXIMUM RENTALS OF

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DOLS 100-180 MONTHLY. PURCHASES WILL BE DETERMINED BY PRIOR

EXISTENCE OF PROJECTS, START-UP TIME, TIME UNTIL COMPLETION OF CONSTRUCTION, LAND COST, AND TOTAL FINAL COST. AN EQUITABLE GEOGRAPHICAL DISTRIBUTION OF PURCHASES WILL BE ASSURED BY DETERMINING THE LOCALITIES WHERE HOUSING SHORTAGE IS MOST EXTENSIVE AND WHERE CONSTRUCTION WILL HAVE GREATEST IMPACT ON EMPLOYMENT SITUATION. ABOVE DECISIONS, TO BE TAKEN JOINTLY BY HOUSING FUND AND MUNICIPAL GOVERNMENTS, ALSO MUST PRIMARILY BENEFIT SMALL AND MEDIUM SIZE CONSTRUCTION FIRMS HARDEST HIT BY THE INDUSTRY SLUMP. THE SECONDARY SALE OR RENTAL BY THE GOP WILL BE THROUGH MUNICIPAL HOUSING BOARDS. ACCORDING TO STATE SECRETARY OF HOUSING NUNO PORTAS, PROJECT SELECTION IS EXPECTED BY JANUARY 31, 1975, AND CONSTRUCTION FINISHED BY MARCH 31, 1976.

2. THE DECREE LAW ALSO PROVIDES FUNDS FOR SUPPORT AND INCENTIVES TO FIRMS OR GROUPS OF FIRMS AGREEING TO PLAN AND BUILD LOW-COST HOUSING. THESE FIRMS, WHICH WOULD BE NEW TO LOW-COST HOUSING SECTOR, WILL SIGN "HOUSING DEVELOPMENT CONTRACTS" WITH THE GOP. CONTRACTS CAN PROVIDE TECHNICAL ASSISTANCE IN PLANNING AND EXECUTING PROJECTS, LOCATION OF HOME PURCHASERS BY THE HOUSING FUND, CONCESSIONAL INTEREST RATES AND REPAYMENT TERMS FROM GOVERNMENT ENTITIES, TAX REDUCTIONS AND EXEMPTIONS, LOAN GUARANTEES, AND EVEN GUARANTEED PURCHASE OF THE CONSTRUCTED UNITS. TYPES, PRICES, SIZES AND LOCATIONS OF HOUSING UNITS WILL BE DETERMINED DURING THE NEGOTIATION OF EACH CONTRACT.

3. SUBJECT DECREE LAW MAKES IT CLEAR THAT THESE ARE EMERGENCY MEASURES AND DO NOT CONSTITUTE PERMANENT GOP HOUSING POLICY. GOP OFFICIALS, IN DISCUSSION OF LAW, POINTED OUT THAT BULK OF BURDEN REMAINS ON PRIVATE CONSTRUCTION SECTOR.

4. WHILE PRESENTING ABOVE MEASURES, THE VICE-PRESIDENT OF THE LISBON MUNICIPAL GOVERNMENT ANNOUNCED GOP WAS CONSIDERING A HOUSING SUBSIDY PAYMENT OF DOL\$ 2400 PER FAMILY TO RESIDENTS OF LISBON SHANTYTOWNS TO HELP THEM PURCHASE OR BUILD DECENT HOUSING. PAYMENTS WOULD BE MADE TO COOPERATIVES, EACH OF WHICH MUST CONTAIN AT LEAST 200 FAMILIES. ADDITIONAL FUNDS, IF NECESSARY, COULD COME FROM FAMILY SAVINGS, REGULAR QUOTA PAYMENTS TO THE COOPERATIVE, OR EVEN THROUGH SELF-HELP CONSTRUCTION EFFORTS. EFFORTS WOULD BE MADE BY THE GOP TO LOCATE LIMITED OFFICIAL USE

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LAND FOR THE NEW HOUSES CLOSE TO THE AREA OF THE SHANTYTOWNS-- POSSIBLY THROUGH IMMEDIATE EXPROPRIATIONS OF LAND WITH COMPENSATION TO BE DETERMINED LATER.

5. IN A RELATED DEVELOPMENT, EMBASSY OFFICIALS WERE TOLD BY THE SECRETARY OF STATE FOR PLANNING THAT THE RECENTLY-PASSED RENT-FREEZE LAW (SEE REFTTEL) IS UNDER STUDY AND WILL PROBABLY BE REVISED OR REPEALED. LAW WAS UNSUCCESSFUL IN SIGNIFICANTLY

INCREASING SUPPLY OF AVAILABLE HOUSING UNITS AS MANY, PROBABLY MOST, LANDLORDS DID NOT REGISTER THEIR VACANT PROPERTIES. IN ADDITION, MANY OBSERVERS BLAME LAW FOR AGGRAVATING THE CONSTRUCTION SLUMP BY DRYING-UP DEMAND FOR APARTMENTS PURCHASED AS INVESTMENTS.

6. COMMENT: THE CONSTRUCTION INDUSTRY IS IN A SERIOUS SLUMP WITH HOME-BUILDING SECTOR HARDEST HIT. HOUSING PERMITS ISSUED DURING THE SECOND QUARTER OF 1974 DROPPED BY 3-4 PER CENT COMPARED TO LAST YEAR AND THE NUMBER OF UNITS COMPLETED WAS OFF BY A SIMILAR AMOUNT. SINCE JULY, SITUATION HAS DETERIORATED FURTHER ACCORDING ALL OBSERVERS. HOUSING SALES HAVE CEASED ALMOST ENTIRELY AND SEVERAL PROJECTS HAVE BEEN SUSPENDED.

7. IT IS NOT AT ALL CERTAIN THAT MEASURES CONTAINED IN LATEST DECREE LAW WILL RESOLVE EITHER HOUSING SHORTAGE OR THE CONSTRUCTION SECTOR DOWNTURN. PREVIOUS GOP MEASURES SUCH AS THE RENT FREEZE LAW, THE SEPTEMBER MEASURES GRANTING TAX INCENTIVES TO HOME BUYERS, AND THE CHANGE IN MORTGAGE TERMS, APPARENTLY HAVE NOT WORKED. THERE ARE UNDOUBTEDLY MANY PLANS FOR HOUSING DEVELOPMENTS WHICH ARE READY FOR EXECUTION AND DOLS 50 MILLION WOULD REPRESENT A LARGE NUMBER OF NEW HOUSING UNITS. HOWEVER, THE GOP HAS NOT YET PUBLICLY ADDRESSED THE ALL-IMPORTANT PROBLEM OF HOW IT WILL FIND PURCHASERS FOR THE HOUSES IT BUYS.

8. THE GOP ESTIMATES THERE ARE 18,000 FAMILIES LIVING IN THE LISBON SHANTYTOWNS ALONE. A DOLS 2400 HOUSING PAYMENT TO EACH FAMILY WOULD ADD UP TO DOLS 43 MILLION. FUNDS FOR THIS OUTLAY HAVE NOT BEEN AUTHORIZED AND THE MOST RECENT DECREE LAW CAN NOT PROVIDE THEM WITHOUT GUTTING THE OTHER PROGRAMS.

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